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**Answer All-**

l. Discuss the general stages of business buying process with example.

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1. a) Explain the five product levels with proper example.

b) Discuss the effective segmentation criteria. 12

1. As an owner of a firm which strategies, you need to follow in setting its pricing policy?

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1. Explain the following terms: 8
   1. POPs VS PODs
   2. Straight rebuy.
   3. Value proposition.
   4. CLV.

**Ans to the question no. 1:**

The business buying process typically involves several stages that a company goes through when purchasing goods or services from another business. These stages may vary depending on the complexity of the purchase and the specific industry, but generally include the following:

1. **Identifying Needs and Defining Requirements:** This stage involves determining what the purchasing company needs and defining the specific requirements for the product or service they intend to buy. For example, a manufacturing company may identify a need for a new piece of equipment to increase production capacity.
2. **Research and Information Gathering:** Once the needs and requirements are identified, the buying company conducts research to gather information about potential suppliers or vendors. This may involve researching online, attending trade shows, seeking recommendations from industry peers, or requesting proposals from suppliers. For instance, the manufacturing company might research different equipment manufacturers, compare specifications, and gather pricing information.
3. **Evaluation and Comparison:** In this stage, the buying company evaluates and compares the options available based on various criteria such as quality, price, reputation, reliability, and customer service. Continuing with the example, the manufacturing company may evaluate different equipment suppliers based on factors like the durability of their machines, after-sales support, and overall cost-effectiveness.
4. **Negotiation:** Once the buying company has narrowed down its options, they may enter into negotiations with the chosen supplier to finalize the terms of the agreement. This could involve negotiating the price, payment terms, delivery schedules, warranties, and any other relevant terms and conditions. For instance, the manufacturing company might negotiate a bulk discount or favorable payment terms with the chosen equipment supplier.
5. **Decision Making:** After negotiations, the buying company makes a final decision on which supplier to choose based on the negotiated terms and other factors. They may issue a purchase order or sign a contract to formalize the agreement. In our example, the manufacturing company would decide on the equipment supplier that best meets its needs and offers the most favorable terms.
6. **Implementation and Delivery:** Once the decision is made, the buying company works with the supplier to implement the purchase and ensure that the goods or services are delivered according to the agreed-upon terms. This may involve coordinating delivery schedules, installing equipment, training employees, or integrating new systems. For example, the manufacturing company would work with the equipment supplier to schedule delivery, install the new machinery, and train staff on its operation.
7. **Post-Purchase Evaluation:** After the purchase is completed, the buying company evaluates the performance of the supplier and the purchased goods or services to ensure they meet expectations. They may provide feedback to the supplier and address any issues that arise. This stage helps the buying company assess the effectiveness of their purchasing decisions and identify areas for improvement in future purchases. For instance, the manufacturing company would assess whether the new equipment meets production targets, operates efficiently, and fulfills their needs.

These stages provide a structured framework for businesses to follow when engaging in the buying process and help ensure that purchases are made strategically and efficiently.

**Ans to the question no. 2(a):**

The concept of five product levels, as proposed by Philip Kotler, provides a framework for understanding the different layers of value that a product offers to consumers. These levels help businesses analyze their products comprehensively and identify areas for improvement. The five product levels are:

1. **Core Benefit Level:** This is the fundamental need or want that the product satisfies for the consumer. It represents the primary function or purpose of the product. At this level, the product is viewed in terms of the benefits it provides rather than its physical attributes.

Example: A consumer purchases a smartphone primarily to stay connected with friends and family, access information, and communicate easily. Therefore, the core benefit of a smartphone is communication and access to information.

1. **Generic Product Level:** This level involves the basic features and attributes necessary for the product to function. It defines what the product is and what it does, but it does not differentiate it from competing products in the market.

Example: For a smartphone, the generic product level includes features such as a touchscreen, a camera, internet connectivity, calling and messaging capabilities, and basic applications.

1. **Expected Product Level:** At this level, consumers expect certain additional features and qualities beyond the basic functionality of the product. These features are considered standard within the product category and are necessary for the product to meet consumer expectations.

Example: In the case of a smartphone, consumers expect features like a long-lasting battery, a high-resolution camera, fast processing speed, a user-friendly interface, and access to a variety of apps.

1. **Augmented Product Level:** This level includes additional features and benefits that exceed customer expectations and provide a competitive advantage. These features differentiate the product from competitors and enhance its value proposition.

Example: Smartphone manufacturers often add augmented features such as facial recognition technology, waterproofing, wireless charging capability, advanced security features, and personalized virtual assistants like Siri or Google Assistant to enhance the user experience and differentiate their products from competitors.

1. **Potential Product Level:** This level represents the maximum potential of the product, including future innovations, improvements, and expansions. It encompasses possibilities for future development and enhancements that could further satisfy customer needs and desires.

Example: In the future, smartphone manufacturers may introduce groundbreaking innovations such as foldable screens, holographic displays, artificial intelligence-powered virtual reality experiences, or seamless integration with other smart devices in the Internet of Things (IoT) ecosystem.

By understanding and analyzing each of these product levels, businesses can develop strategies to enhance their products, differentiate themselves from competitors, and better meet the evolving needs and preferences of consumers.

**Ans to the question no. 2(b):**

Segmentation criteria are the attributes or characteristics used to divide a market into distinct groups of consumers with similar needs, preferences, behaviors, or other relevant characteristics. Effective segmentation criteria are essential for businesses to identify and target specific customer segments efficiently. Here are some key segmentation criteria that businesses often use:

1. **Demographic Segmentation:** This involves dividing the market based on demographic factors such as age, gender, income, education, occupation, marital status, family size, and ethnicity. Demographic segmentation is one of the most commonly used criteria because demographic variables are relatively easy to measure and are often correlated with consumer behavior and preferences. For example, a company selling luxury watches might target affluent consumers with high income levels and a certain age group.
2. **Geographic Segmentation:** Geographic segmentation involves dividing the market based on geographic boundaries such as region, country, city size, climate, population density, or urban vs. rural areas. This segmentation criterion is useful for businesses whose products or services have geographic variations in demand or appeal. For instance, a company selling snow shovels might target customers in regions with colder climates and frequent snowfall.
3. **Psychographic Segmentation:** Psychographic segmentation divides the market based on psychological and lifestyle attributes such as personality traits, values, attitudes, interests, opinions, hobbies, activities, and social class. This criterion helps businesses understand the underlying motivations and behaviors of consumers. For example, a company selling outdoor adventure gear might target consumers with adventurous and outdoor-oriented lifestyles.
4. **Behavioral Segmentation:** Behavioral segmentation categorizes consumers based on their behaviors, usage patterns, purchase habits, brand loyalty, buying occasions, benefits sought, and level of involvement with the product or service. This segmentation criterion is particularly valuable for understanding consumer decision-making processes and tailoring marketing strategies accordingly. For example, a company offering a customer loyalty program might target frequent buyers who are more likely to engage with the program and make repeat purchases.
5. **Usage Segmentation:** Usage segmentation divides consumers based on their usage rates or patterns of product consumption. This criterion can include variables such as usage frequency, usage volume, usage occasion, and user status (e.g., first-time users, regular users, heavy users). For example, a company selling skincare products might target heavy users who purchase skincare products frequently and are willing to invest in high-quality skincare brands.
6. **Benefit Segmentation:** Benefit segmentation categorizes consumers based on the specific benefits or solutions they seek from a product or service. This criterion focuses on understanding consumers' underlying needs and motivations rather than demographic or psychographic characteristics. For example, a company offering laundry detergent might target consumers who prioritize eco-friendliness and sustainability or those who prioritize stain removal and whitening capabilities.
7. **Technographic Segmentation:** Technographic segmentation divides consumers based on their technology adoption, usage of digital devices, online behavior, and preferences for digital channels. This criterion is particularly relevant for businesses operating in the digital space, such as e-commerce companies or software providers. For example, a company offering online streaming services might target consumers who prefer streaming content on mobile devices or smart TVs.

Effective segmentation criteria should be measurable, actionable, substantial, accessible, and relevant to the product or service being offered. By effectively segmenting the market, businesses can tailor their marketing strategies, product offerings, and customer experiences to meet the specific needs and preferences of different consumer segments, ultimately driving higher customer satisfaction and business performance.

**Ans to the question no. 3:**

Setting a pricing policy is a critical aspect of running a successful business, as it directly impacts revenue, profitability, and customer perceptions. As the owner of a firm, here are some strategies you can follow in setting your pricing policy:

1. **Understand Your Costs:** Before setting prices, it's essential to have a clear understanding of all costs associated with producing and delivering your product or service. This includes both direct costs (e.g., materials, labor) and indirect costs (e.g., overhead, marketing expenses). Ensure that your prices cover these costs while providing a reasonable profit margin.
2. **Conduct Market Research:** Research your target market to understand their willingness to pay, price sensitivity, and perceptions of value. Analyze competitors' pricing strategies and positioning to identify opportunities for differentiation. Consider conducting surveys, focus groups, or analyzing market data to gather insights.
3. **Value-Based Pricing:** Determine the value proposition of your product or service and set prices based on the perceived value to the customer. Focus on communicating the benefits and unique selling points that justify a premium price. This approach allows you to capture the value you provide to customers rather than solely relying on costs.
4. **Cost-Plus Pricing:** Calculate your costs and add a markup to determine the selling price. While straightforward, this approach may not fully account for market demand or competitive dynamics. Use cost-plus pricing as a baseline but be flexible to adjust prices based on other factors.
5. **Competitive Pricing:** Set prices based on what competitors are charging for similar products or services. You can choose to price at, above, or below competitors' prices depending on your positioning and differentiation strategy. Keep in mind that solely competing on price may lead to price wars and erode profitability.
6. **Dynamic Pricing:** Consider implementing dynamic pricing strategies that adjust prices in real-time based on factors such as demand, time of day, seasonality, or customer segment. This allows you to optimize prices for maximum revenue while responding to market conditions and changes in consumer behavior.
7. **Psychological Pricing:** Use pricing tactics that appeal to consumers' psychological perceptions of value. This can include setting prices just below a round number (e.g., $9.99 instead of $10) to create the perception of a lower price, or offering tiered pricing options (e.g., basic, premium, and deluxe) to provide choice and perceived value.
8. **Discounts and Promotions:** Offer discounts, promotions, or bundling strategies to stimulate demand, attract new customers, and encourage repeat purchases. However, be cautious not to undermine the perceived value of your product or erode profitability with excessive discounting.
9. **Monitor and Adjust:** Continuously monitor market dynamics, customer feedback, and sales performance to evaluate the effectiveness of your pricing strategy. Be prepared to adjust prices as needed to stay competitive, maintain profitability, and respond to changes in the business environment.
10. **Communicate Value:** Clearly communicate the value proposition of your product or service to justify the price to customers. Highlight unique features, benefits, quality, and customer service to differentiate your offering and build customer loyalty.

By adopting a thoughtful and strategic approach to pricing, you can ensure that your pricing policy aligns with your business goals, maximizes revenue, and delivers value to customers while maintaining profitability over the long term.

**Ans to the question no. 4:**

(a) **POPs VS PODs:** POPs (Points of Parity) and PODs (Points of Difference) are both important concepts in marketing strategy, particularly in brand positioning. They refer to different aspects of a product or brand's attributes relative to competitors in the market.

1. **Points of Parity (POPs):** Points of parity are the attributes or features that a brand shares with its competitors. These are the minimum requirements or expectations that consumers have for a product or brand within a particular category. Points of parity help ensure that a brand is considered a legitimate and credible option within the market. They serve to meet the basic needs of consumers and address common expectations. Examples of points of parity may include:
   * Basic product functionality: Offering features that are essential for the product category.
   * Price: Being priced competitively within the market.
   * Distribution: Having similar availability and accessibility as competitors.
   * Quality: Meeting a certain standard of quality that is expected by consumers.
   * Category membership: Being recognized as part of a specific product category.

Points of parity are important for avoiding brand exclusion and gaining initial consideration from consumers. They establish a baseline level of acceptability for the brand within the market.

1. **Points of Difference (PODs):** Points of difference are the attributes or features that distinguish a brand from its competitors and create a unique selling proposition. These are the characteristics that set the brand apart and provide a competitive advantage in the market. Points of difference help to position the brand in the minds of consumers and communicate its unique value proposition. Examples of points of difference may include:
   * Unique product features: Offering innovative features or functionalities that competitors do not have.
   * Brand image and personality: Having a distinct brand identity that resonates with target consumers.
   * Customer service: Providing exceptional customer service or support that exceeds competitors' offerings.
   * Brand heritage or history: Having a long-standing reputation or history of excellence within the industry.
   * Sustainability or social responsibility: Demonstrating a commitment to environmental or social causes that align with consumer values.

Points of difference are crucial for creating brand preference, fostering loyalty, and commanding price premiums. They help to differentiate the brand in the crowded marketplace and attract consumers who are seeking unique benefits or experiences.

In summary, while points of parity establish the baseline requirements for brand relevance, points of difference are what make a brand truly stand out and resonate with consumers. Effective brand positioning often involves leveraging both points of parity and points of difference to create a compelling and competitive brand identity.

(b) Straight rebuy: A straight rebuy refers to a purchasing situation where a buyer routinely replenishes supplies or reorders a product or service from the same supplier without extensively reevaluating alternatives. It is characterized by its repetitive nature, minimal decision-making process, and low levels of risk for the buyer. Straight rebuys typically occur when the buyer has established trust and confidence in the quality, reliability, and performance of the product or service, as well as in the supplier's ability to consistently meet their needs. The focus is on maintaining operational efficiency and convenience by quickly replenishing stock or supplies without disruptions to the business. Examples include restocking office supplies, reordering raw materials, renewing subscription services, or purchasing consumable items on a regular basis.

(c) Value proposition: A value proposition succinctly communicates the unique benefits and value that a product or service offers to its target customers, distinguishing it from competitors and compelling customers to choose it. It outlines the key advantages, solving specific pain points or needs, while clearly defining the target audience and how the product or service delivers value. With a focus on differentiation, it highlights what sets the offering apart and why it provides a superior solution, supported by evidence or testimonials to reinforce its credibility. Ultimately, a strong value proposition serves as the foundation for effective marketing and communication strategies, driving customer engagement, satisfaction, and loyalty.

(d) CLV: Customer Lifetime Value (CLV) represents the total net profit a company expects to earn from a customer throughout their entire relationship with the business. It takes into account the revenue generated from the customer's purchases, minus the costs associated with acquiring, serving, and retaining that customer. By understanding CLV, businesses can make more informed decisions regarding customer acquisition, retention, and marketing strategies. It enables companies to allocate resources effectively, prioritize high-value customers, and maximize long-term profitability by fostering strong and loyal customer relationships. Ultimately, CLV serves as a critical metric for gauging the overall health and sustainability of a company's customer base and revenue streams.